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SIPDIS

SENSITIVE
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DEPT FOR ISN/ECC - YWONG, ACHURCH AND KCROUCH
DEPT FOR EAP - SBREMNER
CBP/INA FOR RWATT AND JGOUGE
DEPT FOR ENERGY/NNSA FOR T. PERRY AND S. JONES

E.O. 12958: N/A

TAGS: [ETTC](#) [MNUC](#) [PARM](#) [PREL](#) [KSTC](#) [KNNP](#) [TW](#)

SUBJECT: EXBS: TAIWAN MONTHLY REPORTING CABLE - OCTOBER 2007

II. BROAD ITEMS OF INTEREST TO ADVISORS AND AGENCY MANAGERS:

(SBU) During the week of November 19, the EXBS Advisor will be in Washington, D.C. for her 6-month review and consultation.

II. COMPLETED ACTIONS FOR THE REPORTING PERIOD.

IA. SITE ASSESSMENTS AND MEETINGS DURING REPORTING PERIOD:

11. (SBU) On October 23, the EXBS Advisor, CSI Consultant and AIT Regional Security Officer met with the Ministry of Justice Investigation Bureau (MJIB) to discuss on-going cooperation on investigations, including investigations of export control violations. Mr. Yeh Cherng-Maw, Director General of MJIB welcomed the AIT visitors and stressed the important export control enforcement work being done by both sides. DG Yeh stated that, recently, more MJIB agents are interested and are involved in export control investigations. He stated that the export control work of MJIB was a topic of discussion at a recent meeting he had with President Chen Shui-bian. DG Yeh also stated that he was briefed on the Washington export control meeting held in September and that he was pleased to hear the meeting was very productive and positive for both sides. The EXBS Advisor echoed the sentiments voiced by DG Yeh and thanked him for his office's participation in the Washington meeting.

12. (SBU) October 24, the EXBS Advisor and Econoff met with Chun-Nen (Jimmy) Huang, Chair of Department of Security Management of the Kainan University in Taipei County. (Professor Huang participated in post-shipment outreach visits organized by the Bureau of Foreign Trade (BOFT) of the Taiwan Ministry of Economic Affairs in August 2007.) The meeting was to discuss Professor Huang's study on investments and relocation of Taiwan companies to China. Professor Huang stated that, based on his research thus far, it appears that the major reasons for Taiwan companies moving to China are lower production costs (31.3%); innovation plateau and mergers/acquisitions/joint ventures by companies (20.3%); human capital, investment opportunity, competition (15.6%); and governmental policy, including export control rules (14.1%). (The percentages are based on responses by 100+ Taiwan companies that attended the Taiwan-Germany Industry Outreach program on October 5.)

Professor Huang found that the current trend is for companies to move back to Taiwan due to the regulatory environment in China, rather than a rush of investments in China as has been the case in the past. Professor Huang plans to use his findings to make recommendations to Taiwan officials on what Taiwan can do so that Taiwan companies will invest in Taiwan rather than move overseas. He suggested that his recommendations would include investments by

Taiwan in certain key sectors such as semiconductors, electronics, computers, and mechanical manufacturing (e.g., machine tools) and offering incentives such as tax breaks and research and development opportunities for companies.

¶3. (SBU) On October 25, the EXBS Advisor visited Siemens Taiwan Limited for a demonstration of Damex, Siemens' proprietary internal control program for export controls. Damex was developed by Siemens headquarters in Germany with customization at specific "country" levels. For example, the system used by the Taiwan company has search tools for the United States, Germany, the United Kingdom, Japan and Taiwan rules and regulations, including published "watch lists" by the countries. Siemens is in the process of upgrading Damex, which will be completed in 2008.

¶B. BLUE LANTERN:

(U) AIT did not receive Blue Lantern check requests during the reporting period.

¶C. TRAINING CONDUCTED DURING REPORTING PERIOD:

(U) The Department of State, through Los Alamos Technical Associates, Inc., conducted the two-day Transit/Transshipment training on October 30-31 in Taipei. Forty-six Taiwan officials participated in the program. Officials from the Japanese, South Korean, and German representative offices attended certain parts of the program. The participants were about evenly split between those who have attended previous EXBS programs and those attending for the first time. The participants were mostly interested in transit/transshipment control implementation by other countries such as the United States and Singapore, including transit license processing; the legal basis for compliance by forwarders and shippers; and customs practices and procedures for transit/transshipment. A reporting cable from Washington will have a detailed agenda, attendee list, and analyses of feedback and questions from participants.

III. UPCOMING TRAINING:

¶1. (U) The week-long Targeting and Risk Management training implemented by Customs and Border Protection originally planned for the week of November 12 in Kaohsiung has been postponed until spring 2008.

¶2. (U) The three-day Commodity Identification Training program implemented by the Department of Energy is being planned for February 2008 in Kaohsiung.

IV. UPCOMING MEETINGS

(SBU) On November 8 and 9, the EXBS Advisor and Econoff will meet with officials of the Southern Taiwan Science-Based Industrial Park in Tainan and with representatives of Corning Display Technologies Taiwan; Applied Materials Taiwan Ltd.; ChipMos Technologies, Inc.; Kenmos Technology Co., Ltd.; and Great Wall Enterprises Co., Ltd. The Advisor's focus for the meetings will be export control licensing processes and procedures by the Tainan Science Park and by companies located in the Science Park. (Science Parks have separate export control licensing authority from the BOFT.) The meetings will be used to assess the program needs, if any, of the Science Park and the companies located in the Science Park.

¶V. RED FLAG ISSUES:

None.

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YOUNG